

# Housing Market Profile

Midwest • HUD Region V



## Chicago-Joliet-Naperville, Illinois-Indiana-Wisconsin

The Chicago-Joliet-Naperville metropolitan area is located along the southwestern coastline of Lake Michigan and consists of 14 counties in 3 states: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will Counties in Illinois; Jasper, Lake, Newton, and Porter Counties in Indiana; and Kenosha County in Wisconsin. According to the 2010 Census, the metropolitan area was the third most populous in the nation. As of April 1, 2012, the metropolitan area population was an estimated 9.5 million, representing an average annual increase of 34,300, or 0.4 percent, since April 2010 compared with the estimated average annual increase of 0.5 percent during the previous 4 years. Net migration has been negative in every year since 2006, averaging out-migration of 32,000 people annually. More than one-half of the metropolitan area population resides in Cook County, and residents of the city of Chicago account for approximately one-half of the population of Cook County. Between 2006 and 2010, the Cook County population increased by an average annual rate of 8,850, or 0.2 percent, and the combined population of the remaining counties in the metropolitan area increased by an average of 35,300, or 0.8 percent, annually during the same period.

Economic conditions in the metropolitan area, although improving, are currently weak, unchanged compared with conditions since 2008. During the 12 months ending January 2012, nonfarm payrolls increased by 44,800 jobs, or 1.1 percent, to an average of 4,299,500 compared with an average annual decline of 103,000 jobs, or 2.3 percent, from 2008 through 2010. Despite recent gains, nonfarm payrolls in the metropolitan area remain almost 300,000 jobs below 2007 levels. During the 12 months ending January 2012, the professional and business services sector led job growth. The increase of 22,100 jobs, or 3.2 percent, to 708,000 was partly due to a 7-percent increase in hiring in the employment services industry. The professional and business services sector is also the largest sector in the metropolitan area, accounting for 16.5 percent of nonfarm payrolls. The education and health services sector added 14,200 jobs, a 2.2-percent increase, to 652,500 jobs. Numerous ongoing facility expansions by Advocate Health Care—the largest private employer in the metropolitan area, with 18,500 employees, according to Crain's Chicago Business—contributed

to these gains. Following the national trend, the manufacturing sector also increased hiring, gaining 6,700 jobs, or 1.7 percent, to 411,600. By contrast, the manufacturing sector contracted every year from 1998 through 2010 by an average of 22,100 jobs, or 4.1 percent, annually. Other leading private employers in the metropolitan area include AT&T Communications and Provena Health, with 15,000 and 14,800 employees, respectively. The average unemployment rate for the 12 months ending December 2011 was 9.6 percent, down from 10.2 percent during the same period a year earlier.

Home sales market conditions in the Chicago-Joliet-Naperville metropolitan area are currently soft, unchanged since 2007. As of April 1, 2012, the sales vacancy rate was an estimated 2.9 percent compared with the 2.6-percent rate recorded in April 2010. The weak local economy, slow household growth, and tighter lending standards since 2008 contributed to the soft conditions. According to CoreLogic®, during the 12 months ending January 2012, new and existing single-family home sales declined by 3,100, or 4 percent, to 84,600 sales compared with the number of sales a year earlier, and the average price decreased by \$14,200, or 6 percent, to \$221,000. An average of 129,700 single-family homes sold annually from 2007 through 2009 at an average price of \$286,000. Condominium sales have accounted for approximately one-fifth of total sales in the metropolitan area since 2006. During 2011, condominium sales increased by 560 units, or 3 percent, to 21,800, but the average price declined by \$38,000, or 17 percent, to \$184,900, according to Hanley Wood, LLC. By contrast, condominium sales totaled almost 34,000 units annually at an average price of \$265,700 from 2007 through 2009. As of January 2012, 10.6 percent of home loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), unchanged from a year earlier. More than one-half of all home loans in these three categories in the metropolitan area were located in Cook County, according to LPS Applied Analytics.

Both single-family and multifamily construction in the metropolitan area have declined substantially almost every year since 2006, as a result of soft home sales market conditions. Single-family home construction, as measured by the number of single-family homebuilding permits issued, totaled approximately 4,200 homes during the 12 months ending January 2012, unchanged compared with the number of homes permitted a year earlier but well below the average annual level of 33,400 homes permitted from 2000 through 2006. Similarly, multifamily construction has declined significantly



since 2006, primarily as a result of decreased demand for new condominiums. An estimated 70 percent of multifamily units built since 2006 were condominium units. During the 12 months ending January 2012, multifamily construction, as measured by the number of multifamily units permitted, increased by 15 percent to 3,475 units, a level significantly below the average annual level of 18,200 multifamily units permitted during 2005 and 2006. Since 2006, only 5 percent of new single-family homes in the metropolitan area were built in the city of Chicago, whereas 75 percent of multifamily units built in the metropolitan area were located in the city.

Rental market conditions in the Chicago-Joliet-Naperville metropolitan area have tightened from a year ago but remain balanced. During the first quarter of 2012, apartment rental market conditions improved from a year earlier because of an increasing preference for renting. Strict mortgage lending standards and declining home values contributed to the recent preference shift. The average

apartment vacancy rate was 4.4 percent, down from the 5.4-percent rate a year earlier, and the average rent increased by \$15, or 1 percent, to \$1,090, according to Reis, Inc. An estimated 3,500 apartment units are currently under construction in the metropolitan area, primarily in the city of Chicago. Construction at Optima Center Chicago, an \$88 million development in downtown Chicago, began in November 2011 and is expected to be complete by January 2014. When complete, the 42-story development will consist of 325 apartments and office and retail space. Rents have yet to be determined. In addition to new apartment construction, conversions of several condominium developments to apartments are under way. In downtown Chicago, a 35-story condominium development that has remained almost entirely vacant since completion in 2009 is being converted into The Lex apartments and is slated to open in April 2012. The Lex will include 330 one- and two-bedroom units with rents averaging \$1,550 and \$2,300, respectively.